

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-055
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Marinette Babida

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-055

CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Betty Kunakov, President
Board of Directors
Cloverdale Citrus Fair
1 Citrus Fair Drive
Cloverdale, California 95425

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the Cloverdale Citrus Fair Association, Cloverdale Citrus Fair, Cloverdale, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the Cloverdale Citrus Fair Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

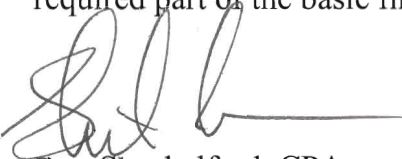
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cloverdale Citrus Fair Association, Cloverdale Citrus Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Cloverdale Citrus Fair Association, Cloverdale Citrus Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-055 on the Cloverdale Citrus Fair Association's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the Cloverdale Citrus Fair Association as appropriate. This additional report, however, is not a required part of the basic financial statements.


For Ron Shackelford, CPA
Chief, Audit Office

September 26, 2008

**CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash & Cash Equivalents	111-117	\$ 1,186,590	\$ 987,489
Accounts Receivable, Net	131	15,757	13,326
Deferred Charges	143	73,730	69,652
Land	191	27,233	27,233
Buildings and Improvements, Net	192	351,592	307,304
Equipment, Net	193	19,852	30,724
TOTAL ASSETS		1,674,753	1,435,728
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable & Other Liabilities	211-212	7,876	5,176
Payroll Liabilities	221 - 226	849	899
Deferred Income	228	278,419	242,550
Guaranteed Deposits	241	8,150	6,150
Compensated Absences Liability	245	5,667	7,478
Total Liabilities		300,961	262,253
Net Resources			
Net Resources - Operations	291	975,115	808,213
Net Resources - Capital Assets	291.1	398,677	365,262
Total Net Resources Available		1,373,793	1,173,475
TOTAL LIABILITIES AND NET RESOURCES		\$ 1,674,753	\$ 1,435,728

**CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006

	Account Number	2007	2006
REVENUE			
State Apportionments	312	\$ 180,000	\$ 180,000
Capital Project Funds	319	-	4,500
Other Resources Acquired	340	40,000	-
Admissions	410	56,165	39,939
Commercial Space	415	8,625	8,115
Concessions	420	37,135	28,506
Exhibits	430	6,593	9,540
Attractions - Fairtime	460	439,623	358,009
Miscellaneous Fair	470	49,484	32,147
Non-Fair Revenue	480	110,207	107,537
Prior Year Adjustment	490	(256)	2,510
Other Revenue	495	55,865	42,838
Total Revenue		983,442	813,641
EXPENSES			
Administration	500	164,221	147,374
Maintenance and Operations	520	115,384	116,900
Publicity	540	23,830	23,877
Attendance	560	10,037	9,805
Miscellaneous Fair	570	15,817	12,775
Premiums	580	19,981	16,239
Exhibits	630	9,761	10,858
Attractions - Fairtime	660	352,882	305,718
Equipment	723	12,707	2,557
Prior Year Adjustments	800	3,651	11,554
Cash Over/Short from Ticket Sales	850	(13)	882
Depreciation Expense	900	35,823	41,174
Other Operating Expense	945	19,043	23,225
Total Expenses		783,124	722,939
RESOURCES			
Net Change - Income / (Loss)		200,318	90,702
Resources Available, January 1		1,173,475	1,082,773
Resources Available, December 31		\$ 1,373,793	\$ 1,173,475

CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	200,318	90,702
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(2,431)	(5,932)
(Increase) Decrease in Deferred Charges	(4,078)	2,528
Increase (Decrease) in Deferred Income	35,869	45,700
Increase (Decrease) in Accounts Payable	2,700	(882)
Increase (Decrease) in Payroll Taxes	(50)	(1,064)
Increase (Decrease) in Compensated Absence Liability	(1,811)	(261)
Increase (Decrease) in Guarantee Deposits	2,000	(2,650)
Total Adjustments	<u>32,199</u>	<u>37,439</u>
Net Cash Provided (Used) by Operating Activities	<u>232,516</u>	<u>128,140</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Buildings & Improvements	(44,288)	30,607
(Increase) Decrease in Equipment	10,872	6,149
Net Cash Provided (Used) by Investing Activities	<u>(33,415)</u>	<u>36,756</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	199,101	164,896
Cash at Beginning of Year	987,489	822,593
CASH AT END OF YEAR	<u><u>\$ 1,186,590</u></u>	<u><u>\$ 987,489</u></u>

**CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Cloverdale Citrus Fair Association is a not-for-profit California corporation exempt from income taxes under Section 501c(3) of the Internal Revenue Code and similar California provisions. The Fair manages the annual Cloverdale Citrus Fair and rents its facilities for events held during the remainder of the year. These events include meetings, social events, concerts, shows, and trade exhibitions.

The State of California allocates funds annually to the Cloverdale Citrus Fair Association to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the Cloverdale Citrus Fair Association conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The Cloverdale Citrus Fair Association's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The Cloverdale Citrus Fair Association's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts

of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – No provision is made for income taxes. The Association is a non-profit tax-exempt organization under Internal Revenue Code Section 501c(3) and California Revenue and Taxation Code Section 2370(d). All programs operated by the Fair are exempt from income taxes.

Cash and Cash Equivalents - The Cloverdale Citrus Fair Association's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the Cloverdale Citrus Fair Association approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the Cloverdale Citrus Fair Association is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.75% on all of the Cloverdale Citrus Fair Association’s sales of merchandise. The Cloverdale Citrus Fair Association collects that sales tax from customers and remits the entire amount to the state Board of Equalization. The Cloverdale Citrus Fair Association’s accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the Cloverdale Citrus Fair Association as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 50	\$ 250
Cash in Bank - Operating	63,852	63,163
Cash in Bank – Time Deposits	<u>1,122,688</u>	<u>924,076</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 1,186,590</u></u>	 <u><u>\$ 987,489</u></u>

NOTE 3 ACCOUNTS RECEIVABLE

The Cloverdale Citrus Fair Association is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 15,757	\$ 13,326
Allowance for Doubtful Accounts	<u>0</u>	<u>0</u>
 Accounts Receivable - Net	 <u><u>\$ 15,757</u></u>	 <u><u>\$ 13,326</u></u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$ 1,006,669	\$ 939,438
Less: Accumulated Depreciation	<u>(655,077)</u>	<u>(632,134)</u>
Building & Improvements - Net	<u><u>\$ 351,592</u></u>	<u><u>\$ 307,304</u></u>

Equipment	\$ 145,918	\$ 144,066
Less: Accumulated Depreciation	<u>(126,066)</u>	<u>(113,342)</u>
Equipment - Net	<u>\$ 19,852</u>	<u>\$ 30,724</u>

NOTE 5 **RETIREMENT PLAN**

Permanent employees of the Cloverdale Citrus Fair Association are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the Cloverdale Citrus Fair Association and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The Cloverdale Citrus Fair Association's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The Cloverdale Citrus Fair Association, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Part-time employees of the Association are not eligible for PERS. Under the Federal Insurance Contributions Act, (FICA), the Association withholds 6.2% of employee wages for Social Security Taxes. The Association submits these deductions along with the employer's share, also 6.2% of employee wages to the Internal Revenue Service on a quarterly basis.

NOTE 6 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, Cloverdale Citrus Fair Board of Directors
1	Chief Executive Officer, Cloverdale Citrus Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA

MANAGEMENT REPORT #08-055

YEAR ENDED DECEMBER 31, 2007

CLOVERDALE CITRUS FAIR ASSOCIATION
CLOVERDALE CITRUS FAIR
CLOVERDALE, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Marinette Babida

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#08-055

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Betty Kunakov, President
Board of Directors
Cloverdale Citrus Fair
1 Citrus Fair Drive
Cloverdale, California 95425

In planning and performing our audit of the financial statements of the Cloverdale Citrus Fair Association, Cloverdale Citrus Fair, Cloverdale, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Cloverdale Citrus Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the Cloverdale Citrus Fair Association's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the Cloverdale Citrus Fair Association's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized



transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the Cloverdale Citrus Fair Association in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The Cloverdale Citrus Fair Association's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the Cloverdale Citrus Fair Association's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the Cloverdale Citrus Fair and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets, and employee housing. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the Fair's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

A review of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing its accounting records and preparing the annual statement of operations (STOP). Our office noted a \$9,363 understatement for Account #194.1, Accumulated Depreciation – Buildings and Improvements, when verifying the balance reported in the general ledger to detailed accounting records. The understatement caused overall net resources for operations to be overstated by the same amount on the 2007 statement of operations.

Recommendation

- 1. The Fair should make the appropriate adjustments to ensure Account #192.1, Accumulated Depreciation – Buildings and Improvements, reflects the correct amount within its accounting records. In the future, the Fair should ensure that fixed asset amounts and related depreciation expense amounts are reported correctly in year-end financial reports by reconciling the general ledger amounts to detailed fixed asset schedules prior to closing the accounting period.*

EMPLOYEE HOUSING

The Fair allowed a permanent employee to live on the Fair's property, that is, in a trailer or fifth wheel located on the fairgrounds. This employee performs after-hours services in lieu of paying rent. The employee housing on the fairgrounds could be excluded as a fringe benefit as long it meets all three criteria pursuant to the Internal Revenue Services (IRS) Publication 15-B, Employer's Tax Guide to Fringe Benefit. According to Publication 15-B, the employee housing fringe benefit exclusion criteria are as follows: i) on the employer's premises ii) for the convenience of the employer and iii) as a condition of employment. Since the employee housing is located on the fairgrounds and the employee performs after-hours services, criteria i) and ii) noted above are met. However, we could not verify that the employee housing is a condition of employment due to the lack of a duty statement addressing this issue. Therefore, the employee housing may be considered a fringe benefit.

Recommendation

- 2. If the Fair determined that the employee housing is a condition of employment of the permanent employee, the Fair should indicate this on the employee's duty statement. Otherwise, the Fair should ensure to report the value of providing an individual rent-free housing to the IRS on a Form 1099-B, Proceeds from Broker and Barter Exchange Transactions.*

NON-REPORTABLE CONDITIONS

CONTRACT CONTROLS

The Fair provided luncheon services to a third party without establishing a written contract that outlined the terms and conditions of the agreement. The Fair provided luncheon services to the third party on a weekly basis to generate additional revenue. According to Fair personnel, for the year 2007, the Fair charged a fee of \$11 per person for the luncheon services. During the year, the Fair collected approximately \$19,542 in luncheon services revenue and incurred \$8,246 in cooking expenses, for a net miscellaneous revenue amount of \$11,296. However, our office could not verify if the Fair collected all revenue due from the third party for the luncheon services performed due to the lack of a written agreement. According to Division of Fairs and Expositions (F&E) Contract Manual, a contract sets forth terms, conditions, and the statement of all work to be performed agreed upon between two or more parties, and all contracts are required to be in writing.

Furthermore, the Fair exposed itself to loss by not having both a representative of the Fair and the carnival contractor sign the carnival settlement sheet prior to final monetary settlement. Both the fair and the contractor should sign the settlement sheet to validate the accuracy of the gross sales reported and accuracy of the revenues agreed to be split by both parties.

Recommendations

The Fair should strengthen its internal controls over revenue by ensuring any services performed or provided are documented in a written agreement that outlines all related terms and conditions. In addition to complying with the F&E Contract Manual, the written agreement would assist the Fair should any dispute with the third party arise at a later date.

The Fair should strengthen internal controls over carnival revenue by ensuring the final carnival settlement sheet has been reviewed and approved by both parties to alleviate any discrepancies that may later arise.

GENERAL EXPENDITURES

The Fair does not always properly document expenditures according to the Accounting Procedures Manual (APM) Section I, 2.85. The invoices tested lacked the information required under Section 2.85, including the date received, justification or business purpose, approval for payment, account classification, check number, date paid, and amount paid. In addition, the Fair did not always maintain adequate documentation (i.e., an invoice or receipt) to justify expenditures made. Based on the sample selected by our office, we noted several expenditures, especially those made with the Fair's credit card, lacking related supporting documentation and lacking the information required under Section 2.85. The

APM Section I, 2.85 states, “sound accounting practices dictate that all expenditures be supported by detailed documentation”.

Recommendation

The Fair should always maintain adequate documentation to justify all expenditures incurred by the Fair as required by the APM Section I, 2.85. Specifically, the Fair should ensure the CEO initials all invoices for approval before payments are made.

CLOVERDALE CITRUS FAIR ASSOCIATION'S RESPONSE

(707) 894-3992
FAX (707) 894-9553
1 Citrus Fair Drive
Cloverdale, CA 95425

ANNUALLY SINCE 1892



Member
Western Fairs Ass'n

A NON-PROFIT ORGANIZATION

January 13, 2009

Ron Shackelford, CPA
Chief, Audit Office
CDFA
1220 N Street, Room 344
Sacramento, CA 95814

RE: 2007 Audit Reportable Conditions

1. Accumulated Depreciation. I understand the need for performing the reconciliation of the general ledger amounts to detailed fixed asset schedules; however, I do not know how to perform this task, nor does my Business Assistant. We are willing to learn, but will need instruction so that it is performed correctly.
2. Employee Housing. A duty statement addressing this issue is attached for review.

Sincerely,

Bonnie Wlodarczyk
Bonnie Wlodarczyk, CEO
Cloverdale Citrus Fair

Betty Kunakov
Betty Kunakov, President
Citrus Fair Board of Directors



Where the Vineyards meet the Redwoods

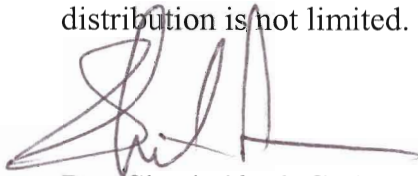
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the Cloverdale Citrus Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between September 15, 2008 and September 26 2008. My staff met with management on September 26 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'Ron Shackelford', with a long horizontal line extending to the right.

For Ron Shackelford, CPA
Chief, Audit Office

September 26, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, Cloverdale Citrus Fair Board of Directors
1	Chief Executive Officer, Cloverdale Citrus Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office